

Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 STRE-00 AF-10 EA-10 EUR-12 NEA-11 OIC-02
XMB-02 /171 W

-----007447 091626Z /45

P 091430Z JUN 78
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC PRIORITY 8577
INFO AMEMBASSY BRASILIA PRIORITY
USMISSION GENEVA PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 SAO PAULO 1660

FROM EMBASSY COMMERCIAL COUNSELOR

E.O. 11652: N/A
TAGS: ETRD, GATT, BR
SUBJ: GATT ARTICLE XXVIII NEGOTIATIONS - BRAZIL

REF: GENEVA 8588, STATE 144731

1. WITHIN THE VERY SHORT DEADLINE GIVEN US WE HAVE NOT BEEN ABLE TO PERFORM A VERY THOROUGH ANALYSIS OF THE BRAZILIAN OFFER LIST, BUT HAVE ONLY BEEN ABLE TO COME TO CERTAIN TENTATIVE CONCLUSIONS BASED ON OUR OWN KNOWLEDGE OF BRAZILIAN INDUSTRIAL TRENDS, MARKET RESEARCH STUDIES, IMPORT STATISTICS, AND A FEW CONSULTATIONS WITH TRADE SOURCES. A FEW GENERAL OBSERVATIONS ABOUT THE BRAZILIAN OFFER MIGHT BE OF INTEREST. ONE IS THAT THE BRAZILIAN "CONCESSIONS" INVOLVE MAINLY PRODUCTS WHICH ARE NOT PRODUCED IN BRAZIL OR ARE PRODUCED IN BRAZIL BY U.S. AND OTHER FOREIGN-OWNED FIRMS.

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2. ANOTHER OBSERVATION--EVEN LESS SURPRISING--IS THAT THERE IS A CLEAR RELATIONSHIP BETWEEN THE LEVEL OF BINDING OFFERED AND THE PROSPECTS FOR BRAZILIAN PRODUCTION. THUS, WHERE THE PROPOSED BINDING LEVEL IS SUBSTANTIALLY HIGHER THAN THE CURRENT TARIFF LEVEL, E.G. 45-50 PERCENT COMPARED WITH A CURRENT LEVEL OF 15-20 PERCENT, IT IS ANTICIPATED THAT DOMESTIC PRODUCTION WILL SATISFY THE ENTIRE NATIONAL

DEMAND WITHIN THE NEXT FIVE OR SIX YEARS. PRESUMABLY THE PROPOSED BINDING LEVEL IS ONE THAT WOULD NOT PREVENT THIS PLANNED ELIMINATION OF IMPORTS. WHERE THE PROPOSED BINDING LEVEL IS EQUAL TO OR SLIGHTLY ABOVE OR BELOW THE CURRENT TARIFF LEVEL THERE IS SOME LOCAL PRODUCTION, BUT A SITUATION OF SELF-SUFFICIENCY IS NOT ENVISAGED. IN THE ONE CASE (ROTARY PRINTING PRESSES) IN WHICH THE PROPOSED BINDING IS SUBSTANTIALLY LOWER THAN THE CURRENT TARIFF, THERE IS NO DOMESTIC PRODUCTION AND THE GOB PROBABLY DOES NOT FORESEE ANY POSSIBILITY THAT THERE WILL EVER BE ANY. THUS THE BINDINGS OFFERED IN THE FIRST CATEGORY, AT THE PROPOSED LEVEL, ARE PROBABLY OF LITTLE IF ANY VALUE, AND THE REDUCTION OFFERED IN THE THIRD CATEGORY ALSO UNLIKELY TO HAVE ANY EFFECT ON THE VOLUME OF IMPORTS. OUR COMMENTS ON SOME OF THE ITEMS IN THE BRAZILIAN LIST FOLLOW. THE ITEMS ON WHICH WE MAKE NO COMMENT ARE ACCEPTABLE, IF NOT EXCITING.

3. APPLES AND PEARS. THE BRAZILIAN OFFER OF QUOTAS TOTAL-
LING 7,000 TONS FALLS SHORT OF OUR REQUEST FOR A COMBINED
QUOTA OF 10,000 TONS. FURTHERMORE, THE PROPOSED AUGUST-
NOVEMBER PERIOD IS NOT GOOD FOR US NOR DOES IT CORRESPOND
TO THE PERIOD WHEN ARGENTINE SUPPLIES TO THE BRAZILIAN
MARKET ARE MINIMAL (SEPTEMBER THROUGH FEBRUARY). SINCE
THE LARGEST PORTION OF THE U.S. APPLE AND PEAR HARVEST
IS IN LATE SEPTEMBER, AUGUST IS OF NO INTEREST TO US
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AND IT WOULD BE DIFFICULT FOR SOME U.S. SHIPPERS TO SHIP FOR
DELIVERY BEFORE THE END OF NOVEMBER. THEREFORE, THE
PERIOD OF THE U.S. QUOTA SHOULD BE SEPTEMBER THROUGH
DECEMBER OR JANUARY. OF COURSE, THE ACTUAL VALUE OF ANY
BRAZILIAN "COMPENSATION" IN THIS AREA IS GREATLY REDUCED
SO LONG AS IMPORTS FROM THE U.S. ARE SUBJECT TO THE 100
PERCENT PRIOR DEPOSIT WHILE IMPORTS FROM ARGENTINA ARE
EXEMPT.

4. PETROCHEMICAL PRODUCTS. PLANS ARE FOR DOMESTIC PRODUC-
TION OF POLYISOBUTADIENE RUBBER AND PROPYLENE
OXIDE TO EXCEED DOMESTIC CONSUMPTION BY 1982. WE SHOULD
SEEK A BINDING AT A 30 PERCENT LEVEL FOR THESE ITEMS, AS
WELL AS FOR VINYL ACETATE AND ADDITIVES FOR LUBRICATING
OILS. THE 30 PERCENT LEVELS ARE ACCEPTABLE FOR TETRAETHYL
LED AND POLYCHLOROBUTADIENE RUBBER.

5. SELF-PROPELLED CRANES (84.22.09.00). THIS ITEM HAS
BEEN AN IMPORTANT U.S. EXPORT IN THE PAST, BUT BRAZILIAN
IMPORTS HAVE BEEN DELCINING DURING THE PAST THREE YEARS,
IN PART BECAUSE OF A TEMPORARY SLACKENING OF ACTIVITY IN
THE MINING AND CONSTRUCTION INDUSTRIES AND IN PART BECAUSE

OF GROWING DOMESTIC PRODUCTION BY ONE U.S. AND ONE
BRAZILIAN FIRM. THIS ITEM COULD BE OF INTEREST IF DE-
MAND PICKS UP IN THE FUTURE. WE SHOULD TRY TO GET A
BINDING AT 30 PERCENT.

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XMB-02 /171 W

-----007172 091626Z /45

P 091430Z JUN 78
FM AMCONSUL SAO PAULO
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FROM EMBASSY COMMERCIAL COUNSELOR

6. ROTARY PRINTING PRESSES. AS INDICATED IN PARA 2 ABOVE,
THE FACT THAT THE GOB IS WILLING TO OFFER A SUBSTANTIAL
REDUCTION ON THIS ITEM PROBABLY MEANS THAT IT IS OF NO
VALUE TO US.

7. VALVES OF COPPER/ AND ITS ALLOYS (84.61.03.02). THERE
IS SOME LOCAL MANUFACTURE OF THIS ITEM, IN GOOD PART BY
U.S. SUBSIDIARIES. WE SHOULD ATTEMPT TO OBTAIN A 35 PERCENT
BINDING.

8. ELECTRICAL ITEMS. THIS IS AN AREA OF INTEREST TO US.
THERE IS SOME LOCAL PRODUCTION, BUT IMPORTS ARE STILL SUB-
STANTIAL AND THE U.S. SHARE IS HIGH. WE WOULD SUGGEST
TRYING TO GET A 45 PERCENT BINDING FOR 85.19.01.02 AND A
30 PERCENT BINDING FOR 85.19.07.99. THE OTHER OFFERS IN
THIS CATEGORY ARE SATISFACTORY.

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9. OPTICAL PHOTOCOPYING APPARATUS. THE U.S. HAD 86 PERCENT OF THE IMPORT MARKET FOR THIS EQUIPMENT IN 1975. HOWEVER, TWO U.S. FIRMS HAVE BEGUN LOCAL PRODUCTION AND THE GOB MIGHT BE TEMPTED TO PROTECT AND ENCOURAGE THIS PRODUCTION BY RAISING DUTIES. THUS A BINDING WOULD BE IN OUR INTEREST. WE SHOULD ASK FOR 30 PERCENT, BUT SETTLE FOR 40 IF NECESSARY.

10. SUGGESTIONS FOR OTHER CONCESSION REQUESTS. IN THE CASE OF COMPUTERS, PERIPHERAL EQUIPMENT, AND COMPONENTS, IMPORT DUTIES ARE NOT A MAJOR BARRIER, BUT THE IMPORT QUOTA RESTRICTIONS ADMINISTERED BY THE GOB DATA PROCESSING CONTROL AGENCY CAPRE ARE A BARRIER. IT WOULD BE VERY MUCH TO OUR ADVANTAGE TO HAVE THE QUANTITATIVE IMPORT RESTRICTIONS ELIMINATED AND THE CAPRE IMPORT LICENSING MADE AUTOMATIC. A SOMEWHAT SIMILAR SITUATION EXISTS WITH RESPECT TO SPECIALTY STEELS, WITH IMPORT QUOTAS ESTABLISHED AND ADMINISTERED BY THE STATE STEEL HOLDING COMPANY CONSIDER. TELLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, TRADE AGREEMENTS, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SAOPA01660
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780241-1205
Format: TEL
From: SAO PAULO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780676/aaaacnam.tel
Line Count: 196
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a4cd428c-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 8588, 78 STATE 144731
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2414229
Secure: OPEN
Status: NATIVE
Subject: GATT ARTICLE XXVIII NEGOTIATIONS - BRAZIL
TAGS: ETRD, BR, GATT
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a4cd428c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014